



Bulletin

2003-21B

TAX CLASSIFICATION AND FY04 TAX BILLS

TO: Local Officials

FROM: Gerard D. Perry, Acting Deputy Commissioner
Division of Local Services

DATE: December 2003

SUBJECT: Tax Classification Special Commission and FY04 Preliminary Tax Bills

This *Bulletin* informs local officials about tax billing options available to communities without approved fiscal year 2004 tax rates that may be affected by legislation just signed by the Governor. Ch. 138 of the Acts of 2003. That act establishes a special five member commission to develop legislation to modify temporarily the limits found in the property tax classification law for allocating the annual property tax levy among residential and business taxpayers.

As you know, those tax levy shifts are based on the percentage share of fair cash value that each property class bears to the total fair cash valuation of the community. G.L. Ch. 58 §1A. Recent market trends show increases in residential values at the same time that business values have declined or increased at a slower rate. As a result, some communities will be unable to maintain their historical allocation of the levy between homeowners and businesses for fiscal year 2004 under the current maximum classification limits. Those limits allow for a maximum shift onto businesses of 175 percent of their valuation share of the levy, or the highest percentage share of the levy they have paid since classification began, whichever is less. The special commission is charged with proposing legislation that will adjust the maximum shift temporarily up to 200 percent so as to minimize any resulting tax increase on homeowners, but will also restore the existing shift over a multiple year period. The commission will also look at the impact of any temporary adjustment on small business and farms. Legislation to accomplish these objectives must be filed by January 12, 2004 and any legislation enacted thereafter will apply in fiscal year 2004 only to those communities that do not have an approved tax rate for the year as of its effective date.

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In the meantime, the Division of Local Services will approve the issuance of preliminary tax bills in those communities without approved tax rates that are unable to maintain their historical levy allocation under the current limits, or anticipate taking other action under any changes that may be enacted. Communities that have already held classification hearings, but not yet obtained approval of the tax rate, may defer submitting the tax rate recapitulation to the Bureau of Accounts or request its return without action. Any further steps required to complete the rate setting process will depend on the action taken by the legislature.

Affected communities using a quarterly tax payment system may issue a third quarter preliminary bill under G.L. Ch. 59 §57C. Under this legislation, however, the third quarter bills may be in any amount **up to 125 percent of the first quarter bills**. Ch. 138 §1 of the Acts of 2003. Ordinarily, third quarter preliminary bills are limited to the same amount as the first quarter bills under the quarterly tax payment statute. If a higher percentage is used, it must be applied to **all** preliminary bills. Different percentages may not be used for different types of properties. See Property Tax Bureau Informational Guideline Release No. 03-203, *Fiscal Year 2004 Quarterly Tax Payments* (March) for detailed information about issuing third quarter bills generally, including model language for the reverse side of the bills or a bill stuffer depending on the bill forms being used (Model 7(Q)). Attached is an amended version of that model with language to use if the bill will be issued for more than the first quarter installment.

For communities using a semi-annual payment system, we will approve issuance of a preliminary tax bill under G.L. Ch. 59 §23D. Preliminary bills in those communities may not be greater than 50 percent of the prior year's bills, however, with adjustments for some particular properties permitted. Under the legislation, only quarterly communities were provided with the option to increase preliminary bills above the usual statutory limit. See Property Tax Bureau Informational Guideline Release No. 03-203, *Fiscal Year 2004 Guidelines for Issuing Preliminary Tax Bills* (March) for detailed information about issuing the bills.

Before deciding whether to delay setting the tax rate and seek approval to issue preliminary tax bills instead, a community must determine first whether it would be able to benefit from the proposed change in the maximum shift. A template for doing so has been prepared by the Bureau of Local Assessment and is available on our web site by going to the [Chapter 138 worksheet](#). The community should then evaluate the potential merits of sending actual tax bills under current law, or deferring action until the legislature acts on the commission's recommendations.

If a community decides to issue preliminary tax bills, the assessors must submit the following to the Bureau of Accounts:

1. A brief application cover letter that requests authority to issue preliminary tax bills and, if a quarterly community, that states the percentage of the first quarter bill that will be used to calculate the third quarter preliminary bill. The letter must be signed by a majority of the assessors and by the mayor or a majority of the selectmen.

2. A completed Form LA-4 "Assessment/ Classification Report." If FY04 valuations are not yet complete, submit an "Estimated" Form LA-4 providing the assessors' estimate of the total valuations for each class.
3. A "Pro Forma" Recapitulation Sheet completed in accordance with instructions issued by the Bureau of Accounts. The "Pro Forma" Recapitulation Sheet must indicate a balanced budget within the limits of Proposition 2½ and must contain all information required to set the FY04 tax rate, except the assessed valuation. In addition, it must include the assessors' estimate of the allowable increase in the FY04 levy limit due to tax base growth.

Any questions you have should be directed to your Bureau of Accounts representative.

AMENDED MODEL 7(Q)
3rd Quarter Preliminary Tax Bill Reverse Side or Stuffer

**[If using as a stuffer include the following notice: IMPORTANT INFORMATION ABOUT THIS TAX BILL
PLEASE DISREGARD INFORMATION PRINTED ON THE REVERSE SIDE OF YOUR BILL]**

FISCAL YEAR 2004 THIRD PRELIMINARY TAX: This bill shows the amount of the third preliminary tax installment you owe for fiscal year 2004 (July 1, 2003 - June 30, 2004).

You are receiving this third preliminary tax bill because actual tax bills for fiscal year 2004 cannot be issued at this time. You will receive your actual fiscal year 2004 tax bill based on January 1, 2003 assessments after the tax rate is set. Any first, second or third preliminary tax payments made will be credited toward the payment of your fiscal year 2004 tax.

THIRD PRELIMINARY TAX AMOUNT: The third preliminary tax payment shown in this bill will not be more than the first installment payment shown on your previously issued preliminary tax bill. **[If higher amount selected use the following sentence instead: The third preliminary tax payment shown in this bill will not be more than ____% of the first installment payment shown on your previously issued preliminary tax bill.]**

PAYMENT DUE DATES/INTEREST CHARGES: Your third preliminary tax payment is due on February 1, 2004, or 30 days after the date the bills were mailed, whichever is later. Your first preliminary payment was due on August 1, 2003, or 30 days after the bills were mailed, whichever was later, and the second payment was due on November 1, 2003 if preliminary bills were mailed on or before August 1, 2003. However, if preliminary bills were mailed after August 1, 2003, your first and second preliminary payments were due as a single installment on November 1, 2003, or 30 days after the bills were mailed, whichever was later. If your preliminary payments are not made by their due dates, interest at the rate of 14% per annum will be charged on the unpaid and overdue amount. If preliminary bills were mailed on or before August 1, 2003, interest is computed on overdue first preliminary payments from August 1, 2003, or the date the payment was due, whichever was later, on overdue second preliminary payments from November 1, 2003, and on overdue third preliminary payments from February 1, 2004, or the date the payment was due, whichever is later, until payment is made. However, if preliminary bills were mailed after August 1, 2003, interest is computed on overdue single first/second preliminary payments from November 1, 2003, or the date the payment was due, whichever was later, and on overdue third preliminary payments from February 1, 2004, or the date the payment was due, whichever is later, until payment is made. Payments are considered made when received by the Collector. To obtain a receipted bill, enclose a self-addressed stamped envelope and both copies of the bill with your payment.

ABATEMENT/EXEMPTION APPLICATIONS: Your right to seek an abatement of or exemption from your fiscal year 2004 tax is not prejudiced by the issuance of preliminary tax bills. Once the actual tax bills are issued, you will be able to apply for an abatement or exemption. The deadline for filing your abatement or exemption application will be measured from the date the actual bills are mailed, not the date preliminary tax bills were mailed. Your actual tax bill will provide you with more detailed information on application procedures and deadlines.

INQUIRIES: If you have questions on how your third preliminary tax installment was determined, you should contact the Board of Assessors. If you have questions on payments, you should contact the Collector's Office.